



**City of Detroit**

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**OFFICE OF THE AUDITOR GENERAL**

**Audit of the  
Award of FY 2004  
Ryan White Food Bank  
Food Voucher Funds**

**December 2004**



# City of Detroit

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Joseph L. Harris, CPA, CIA  
Auditor General

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## MEMORANDUM

**DATE:** February 23, 2005

**TO:** Honorable City Council  
Mayor Kwame Kilpatrick

**FROM:** Joseph L. Harris  
Auditor General 

**RE:** Audit of the Award of FY 2004 Ryan White Food Bank – Food Voucher Funds

**C:** Dr. Noble Maseru, Director, Department of Health and Wellness Promotion

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Attached for your review is our report on the Audit of the Award of FY 2004 Ryan White Food Bank – Food Voucher Funds by the Department of Health and Wellness Promotion (DHWP).

This report contains an executive summary; our audit purpose, scope, objective, and methodology; background; our audit findings and recommendations; and the DHWP's responses.

We appreciate the cooperation and assistance of the DHWP management and staff.

Copies of all of the Office of the Auditor General's reports can be found on our web site at [www.ci.detroit.mi.us/legislative/CharterAppointments/AuditorGeneral](http://www.ci.detroit.mi.us/legislative/CharterAppointments/AuditorGeneral).

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Food Bank – Food Voucher Funds**

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## EXECUTIVE SUMMARY

The City Council requested the Office of the Auditor General to conduct an investigation into the award of FY 2004 Ryan White Comprehensive AIDS Resource Emergency Act (Ryan White) Title I/Title II funds for the Food Bank Program by the Detroit Department of Health and Wellness Promotion (DHWP).

We concluded that although DHWP could support its decision to not fund the Wellness House (WHOM) for the Ryan White Title I/Title II funds for the Food Bank Program, the DHWP's evaluation and award process for Food Bank – food voucher funding was inconsistent in FY 2004. It is DHWP's position that its decision to not fund the WHOM for Ryan White Title I/Title II Food Bank - food vouchers in FY 2004 was in accordance with its established evaluation and award process and that its decision was supported by the unsatisfactory performance of WHOM in providing food vouchers in FY 2003.

The DHWP's decision to award the Health Emergency Lifeline Program (HELP) funding for Ryan White Title I/Title II Food Bank – food vouchers in FY 2004 was not in accordance with its established evaluation and award process. The DHWP did not follow the same evaluation process for HELP that it did for WHOM.

The DHWP's evaluation and award process in FY 2004 for the Ryan White Title I/Title II Food Bank – food vouchers funding had inconsistencies that caused the award process to be questionable. The evaluation criteria in the DHWP's FY 2004 Request For Proposal (RFP) omitted technical reviews. However, the technical review was the main criteria used by DHWP to make the decision to not fund WHOM for Food Bank - food vouchers in FY 2004. The external review, an evaluation by independent reviewers of the proposals submitted by the applicants, was the only review process cited in the RFP evaluation criteria and the external review panel recommended WHOM for Food Bank funding. The DHWP did not require HELP to submit a proposal/application specifically for the Food Bank – food voucher funding prior to the award. As a result, the DHWP did not complete an external review for HELP for the Food Bank – food voucher funding.

The DHWP afforded WHOM the opportunity to file a grievance regarding the process used in FY 2003-2004, with the American Arbitration Association. WHOM declined to file a grievance. We recommend that future questions regarding the award process be handled through the grievance process.

The DHWP, as the grantee, is responsible to the U.S. Department of Health and Human Services to properly administer the grant. This includes funding competent and cooperative organizations to provide services in accordance with the grant requirements and in a timely manner.

We recommend that the DHWP for future Ryan White Title I/Title II funding:

1. Require proposals/applications be submitted prior to awarding funding.
2. In the absence of a proposal from a competent organization by the deadline, identify competent organizations and request proposals from them.
3. Ensure that all evaluation and award criteria are stated in the RFP.
4. Consistently follow the evaluation and award process cited in the RFP for all proposals.

We appreciate the cooperation and assistance provided by the DHWP management and staff. The DHWP staff was professional and knowledgeable.

## **AUDIT PURPOSE, SCOPE, OBJECTIVE, AND METHODOLOGY**

### **AUDIT PURPOSE:**

The Office of the Auditor General (OAG) initiated this audit in response to City Council's request to investigate an allegation made by the director of Wellness House of Michigan (WHOM), that the FY 2004 Ryan White Comprehensive AIDS Resource Emergency Act (Ryan White) Title I/Title II awards process was flawed, and the awarding of the contract was unfair.

### **AUDIT SCOPE:**

The OAG conducted an investigation into the evaluation and award process for the FY 2004 Ryan White Title I/Title II funds for the Food Bank – Food Program by the Detroit Department of Health and Wellness Promotion (DHWP).

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except that the OAG has not received an external peer review within the past three years.

### **AUDIT OBJECTIVE:**

Specifically, we wanted to determine whether the award of the FY 2004 Ryan White Title I/Title II funds for the Food Bank Program by the DHWP was in accordance with the Ryan White Title I/Title II requirements and DHWP's evaluation and award process.

### **AUDIT METHODOLOGY:**

To accomplish our audit objective, our audit included:

- Interviews of DHWP management and personnel responsible for awarding Ryan White funds;
- Review of Ryan White Title I/Title II requirements and City procurement procedures;
- Review of the DHWP grant solicitation, evaluation, and award process;
- Review of the FY 2004 request for proposal;
- Review of the FY 2004 solicitation of proposals;
- Review of FY 2004 proposals received;
- Review of the FY 2004 proposal evaluation process (i.e., external and technical reviews);
- Review of the FY 2004 award process; and
- Review of all other DHWP documents concerning the award of FY 2004 Ryan White Food Bank funds.



## BACKGROUND

Title I and II programs are administered by the Division of HIV Services, Bureau of Health Resources Development, HIV/AIDS Bureau (HAB), Division of Service Systems, Health Resources and Services Administration's (HRSA), Public Health Service (PHS), and the U.S. Department of Health and Human Services (DHHS). Title I funds, awarded through the Ryan White Act to the Detroit EMA (Eligible Metropolitan Areas), are administered through the City of Detroit Department of Health and Wellness Promotion (DHWP). Title II funds for the Ryan White Act are awarded to the State of Michigan. The State of Michigan designates Title II funds for EMAs. Title II funds designated for the Detroit EMA (Region I) by the State are administered by the City of Detroit DHWP.

Through a priority setting process conducted by the Southeastern Michigan HIV/AIDS Council (SEMHAC), also known as the Planning Council, Ryan White Title I/Title II funds are used to deliver or enhance access to services such as Food Bank. Title I HIV Health Services Planning Councils are entities comprised of volunteer citizen planners, appointed by the Mayor, for the purpose of planning for the use of Title I funds to support HIV services in the EMA. The Ryan White Act and HAB/DSS policies require that Council composition reflect the demographics of the population of individuals with HIV disease in the EMA.

There are no specific criteria established by the federal government or the Ryan White Act for the evaluation and award of subgrants to providers by the grantee (DHWP). HAB does not have specific rules relative to proposal review. The DHWP models its proposal review process after HRSA's Division of Independent Review for proposal review.

The DHWP detailed its criteria for funding decisions in an October 20, 2004 letter to SEMHAC. Funding decisions are based on ranking of priorities, current allocation award, availability of funds, programmatic performance, fiscal performance and timely performance of administrative activities. While assessment of past performance is an important factor in the evaluation process, the DHWP failed to include this information in its FY 2004 RFP.

The DHWP FY 2004 Ryan White Title I/Title II funding RFP details the evaluation process that indicates a "competitive process" will be utilized. Section I, Part A, of the RFP states in part:

"This Request for Proposal (RFP) is to be used by all applicants seeking Title I and Title II funds within the Detroit EMA/Region I [City of Detroit and surrounding six counties – Wayne, Oakland, Macomb, Monroe, Lapeer, and St. Clair] to develop their competitive FY 2004 application (March 1, 2004 through February 28, 2005). The FY 2004 proposals will be reviewed and scored by an external review panel [also known as the Objective Review Panel (ORP)] based upon the evaluation criteria as outlined at the end of Section III and submission of the required tables, narrative information and budget in Section II through Section IV. Scores assigned by the reviewers will be one of the principal factors in determining awards."

Evaluation criteria scores consisted of the following:

<u>Description</u>	<u>Score</u>
Capability of the Applicant	20
Program Narrative	40
Collaboration and Coordination	25
Funding Sources	<u>15</u>
Total	100

The DHWP procedures for the FY 2004 Objective Review Panel (ORP) state:

"Funding decisions result directly from the individual reviewers evaluations and the ORP recommendations to the Title I/Title II Program. Each reviewer therefore must include a full and fair justification that supports the recommended action".

Proposals are submitted by applicants for service categories such as Food Bank listed in the RFP. The Food Bank service category is defined as "Food bank/home-delivered meals is the provision of actual food, meals, food vouchers or nutritional supplements." In the 2003 Needs Assessment performed by the Planning Council (SEMHAC), food vouchers and food pantry/boxes were rated high on the client ranking of services (client perception of needed services).

The RFP also stated that "Grant applications must be received at the Detroit Health Department, Room 404C by 2:00 p.m. on January 16, 2004. **THERE ARE NO PROVISIONS FOR LATE PROPOSALS. LATE PROPOSALS WILL NOT BE ACCEPTED.**"

Technical/internal review criteria were not included in the FY 2004 RFP. The DHWP claims that applicants were informed during a mandatory RFP training session held for the application process that the funding awards would be based on both objective and technical reviews. In a response to City Council dated June 9, 2004, DHWP stated, "potential applicants are informed that ORPs make funding recommendations only, based solely on the content of the submitted proposal. This is done to ensure a level playing field for both new and returning applicants." The DHWP also noted recommendations from the ORP do not always result in funding for the agency. Funding decisions are made after a technical review, and are based on the ranking of service priorities, award to DHWP, and availability of funds. Technical reviews are conducted by the DHWP staff to 1) ensure proposed programs can be implemented and are not just the result of an effective grant writer; and 2) ensure that the proposed services and programs are consistent with service priorities and caveats as defined by the Planning Council. The DHWP is responsible for the purchase of HIV services and is not required to purchase all services as presented. The components of the technical review include:

- Implementation of program activities as outlined in the contractual agreement
- Service to targeted populations
- Rate of expenditures

- Review of internal fiscal controls
- Timely submission of reports
- Attendance at mandatory meetings
- Site visit findings
- Agency capability and capacity

We examined documentation that shows that technical review criteria were included in prior year RFPs and in the FY 2005 RFP for Ryan White Act funding. Continuing providers should have been aware that past performance would impact on funding award decisions.

WHOM was the only applicant for Food Bank – food vouchers and food boxes by the established deadline. The ORP recommended funding to WHOM for the Food Bank. WHOM received the highest ORP scores among all the applicants for all the various Title II service categories. In a letter dated March 22, 2004, the DHWP informed WHOM that it was awarded conditional FY 2004 funding of \$104,628 for the provision of Food Bank Services under Title I/Title II of the Ryan White Act for the 6-month period March 1, 2004 through August 31, 2004. The DHWP explained to WHOM that funding was restricted to the provision of food boxes only and was awarded conditionally because of numerous client complaints received by the Ryan White staff regarding the provision of food vouchers.

In a letter dated March 22, 2004, the DHWP informed HELP that it was awarded conditional FY 2004 funding of \$90,000 for the Food Bank service category of which \$60,000 was restricted to the purchase of food vouchers for the six-month period March 1, 2004 through August 31, 2004.

The DHWP rationale for not funding WHOM for food vouchers in FY 2004 was:

- WHOM submitted limited outcome data supporting benefits of the program.
- DHWP received an increased number of client complaints regarding WHOM services.
- WHOM provided limited service for food vouchers in 2003.
- WHOM lapsed 47% (\$43,187 of \$92,316) of the food vouchers funding for FY 2003.
- WHOM had no food voucher expenditures for nine of twelve months in FY 2003.
- Ryan White is a cost reimbursement program; WHOM has limited operating capital to purchase food vouchers.

WHOM contested not receiving food voucher funding and the conditional award for food boxes for FY 2004 and asked the DHWP to rescind its decision. In the letter to the DHWP the WHOM director stated, "Wellness House believes the allocation process in this instant matter is seriously flawed. We contend that the proposal submitted fully met the criteria for priority consideration".

In a letter dated April 14, 2004, the DHWP afforded WHOM the opportunity to file a grievance against the process used in FY 2004 with the American Arbitration Association. WHOM declined to file a grievance.



DHWP records document that WHOM was not responsive in FY 2003 to the DHWP in correcting deficiencies found during site visits. WHOM's response and corrective action for the site visits' findings were due on October 15, 2003. WHOM did not respond until May 2004. In the response, WHOM claimed most of the findings cited in the FY 2003 site visits were not applicable to WHOM.

When the DHWP refused to rescind its decision, the WHOM director brought the matter to the City Council's attention. In a letter to the City Council President Pro Tem, the WHOM director stated, "The Wellness House is appealing for Council oversight of the allocations process employed by the Department of Health & Wellness Promotion". The WHOM director also stated in the letter, "It is inconceivable that we could be disallowed funding for one program due to alleged abuse of clients, financial management problems, and non-compliance with federal rules while being offered more money for continuance of another program."

On July 2, 2004 WHOM rejected the conditions of the award offered by the DHWP for Food Bank – food boxes funding. As a result, the funding offer was terminated to WHOM and awarded to HELP to ensure service delivery for food boxes.

## FINDINGS AND RECOMMENDATIONS

### **1. The DHWP Awarded Funding for the Food Bank Service Category Without Receiving a Formal Proposal by the Deadline from the Recipient**

The DHWP awarded funding for the Food Bank service category (food voucher funding) without receiving a formal proposal by the established deadline from the recipient (HELP – Health Emergency Lifeline Program). HELP did not submit a specific proposal for the Food Bank service category (food voucher funding) by the established deadline of January 16, 2004. Their formal proposal was dated June 23, 2004. The DHWP award letter to HELP for the Food Bank – food voucher funding was dated March 22, 2004, three months prior to the date of the HELP proposal.

The FY 2004 RFP for Ryan White funding required "Grant applications must be received at the Detroit Health Department, Room 404C by 2:00 p.m. on January 16, 2004.

**THERE ARE NO PROVISIONS FOR LATE PROPOSALS. LATE PROPOSALS WILL NOT BE ACCEPTED."**

The only proposal submitted specifically for the Food Bank- food voucher funding by the deadline was from the Wellness House of Michigan (WHOM). The DHWP awarded WHOM funding for food vouchers in the prior three years. The DHWP denied WHOM funding for food vouchers in FY 2004 because of performance issues including client complaints and lapsing of funds in FY 2003.

The DHWP reclassified HELP's application for nutritional supplements under the Direct Emergency Assistance service category as an application for the Food Bank service category. The Food Bank service category defined in the FY 2004 RFP includes nutritional supplements, food boxes, and food vouchers. The DHWP construed the application for nutritional supplements to include food vouchers since both fall within the Food Bank service category.

The nutritional supplements that HELP provides to clients are "Ensure" drinks. Nutritional supplements are distinctly different than food vouchers which have a \$40 cash value per voucher and are similar to food stamps but less transferable. In our opinion, food vouchers inherently require more administrative functions and controls to prevent abuse.

The Federal Department of Health and Human Service's Public Health Service (PHS), under which the HRSA and Ryan White Title I and Title II grants are administered, will not award a grant without an approved application in conformance with legislative, regulatory, and policy requirements, and which describes the purpose and scope of the project to be funded. Awarding funding to organizations that do not specifically apply for it raises questions of propriety and fairness. While the DHWP has discretion in awarding and denying funding, it needs to ensure that the application and award process defined in the RFP is followed.

We recommend that the DHWP award subgrants only to providers who submit proposals for the specific funding available. In the absence of competent providers and proposals by the established deadline, we recommend that the DHWP identify competent organizations and request proposals prior to awarding funding.

## **2. The DHWP FY 2004 RFP Did Not Include All Criteria Used in the Proposal Evaluation Process**

The DHWP FY 2004 RFP for Ryan White Title I/Title II funding did not include all the criteria used by the DHWP in evaluating the proposals. The DHWP technical review was not included in the RFP and this evaluation was the basis for denying WHOM food voucher funding for FY 2004. Awarding or denying organizations funding based on evaluation and award criteria that are not detailed in the RFP raises questions as to propriety and fairness of the process.

Technical reviews are conducted by the DHWP staff to ensure that proposed programs can be implemented and to ensure that the proposed services and programs are consistent with service priorities and caveats as defined by the Planning Council. The DHWP technical review gave WHOM a low score due to performance issues in FY 2003 including client complaints and lapsed funding for food vouchers. WHOM was awarded funding for Food Bank – food boxes, which was made conditional based upon its improving performance, particularly in the treatment of clients.

The RFP issued by the DHWP for the FY 2004 Ryan White Title I/Title II funding details an evaluation and award process, which consists primarily of an external review panel also known as an Objective Review Panel (ORP). The RFP states “Scores assigned by the [ORP] reviewers will be one of the principal factors in determining awards.” The technical review used by the DHWP to deny WHOM food voucher funding was not documented in the RFP. The DHWP stated that the FY 2004 applicants were notified of the technical review and its impact on the funding award at a required workshop in December 2003. Also, DHWP provided us with documentation that it provided technical review criteria in prior year RFPs and in the FY 2005 RFP. Continuing providers should have been aware that past performance would impact the funding award decisions. However, this does not excuse the omission in the FY 2004 RFP.

The United States Code of Federal Regulations for the Department of Health and Human Service’s procurements (45 CFR, Section 92.36) notes that: The technique of competitive proposals is normally conducted with more than one source submitting an offer; Requests for proposals will be publicized and will identify all evaluation factors and their relative importance; Any response to publicized requests for proposals shall be honored to the maximum extent practical; Grantees and subgrantees will have a method for conducting technical evaluations of the proposals received and for selecting awardees; Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

We recommend that the DHWP clearly state the evaluation and award criteria in future RFPs and consistently follow them.



February 14, 2005

Joseph L. Harris, Auditor General  
Office of the Auditor General  
2 Woodward Avenue  
Coleman A. Young Municipal Center, Room 208  
Detroit, Michigan 48226

Dear Mr. Harris:

The following presents the Detroit Department of Health and Wellness Promotion's (DHWP) response for the indicated finding and related recommendations in the Audit of the Award of FY 2004 Ryan White Food Bank – Food Voucher Funds audit report dated December 2004 and received electronically on February 10, 2005, as prepared by the Office of the Auditor General.

Finding No. 1. The DHWP Awarded Funding for the Food Bank Service Category Without Receiving a Formal Proposal by the Deadline from the Recipient

Department's Response:

The category prioritized by the Planning Council for FY 2004 Ryan White funding and listed in the FY 2004 RFP was *Food Bank*. Although the Food Bank category does include the provision of food vouchers, it should be noted there is no separate service category for *Food Vouchers*. Applicants were given the option of submitting comprehensive proposals, which encompassed multiple service categories. Comprehensive proposals were received which included Food Bank.

The DHWP received a formal proposal from the Greater Detroit Area Health Council (GDAHC/HELP) as the fiduciary agent for Health Emergency Lifeline Program for the provision of Direct Emergency Financial Assistance. This proposal included nutritional supplements, which by the Health Resources and Services Administration's HIV/AIDS Bureau definition; belong in the Food Bank category. As such, HELP was offered a Food Bank contract to support nutritional supplements. Upon the determination that the proposal submitted by Wellness House of Michigan (WHOM) would not be funded in its entirety, HELP was asked to provide food vouchers as an *additional* component of its Food Bank program. When WHOM declined to provide Ryan White funded Food Bank services, applicants who previously provided services under Food Bank and had experience, or requested to provide any form of Food Bank services in FY 2004 were asked to submit abbreviated proposals.



Joseph L. Harris, Auditor General  
February 14, 2005  
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***The DHWP will take the Auditor General's recommendations under advisement and will continue its practice of funding competent organizations via a formal Request for Proposal process or targeted outreach to ensure that there are no gaps in the service delivery system.***

Finding No. 2. The DHWP FY 2004 RFP Did Not Include All Criteria Used in the Proposal Evaluation Process

Department's Response:

While previously released Ryan White FY 2002, 2003 and current year 2005 RFPs have included technical review as an evaluation component, the DHWP acknowledges the oversight in its omission for FY 2004 and accept the finding and recommendation of the Auditor General in this regard. ***Evaluation and award criteria will continue to be listed in future RFPs and consistently followed to the extent possible and to the extent that prevents gaps in the Ryan White service delivery system.***

Sincerely,

Noble Maseru, PhD, MPH  
Director and Health Officer

NM:tj

cc: Vincent R. Nathan, PhD, MPH